

Message Text

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PAGE 01 ISLAMA 05367 251036Z

ACTION EB-07

INFO OCT-01 NEA-10 IO-13 ISO-00 FEA-01 CIAE-00 DODE-00

NSAE-00 NSCE-00 SSO-00 USIE-00 INRE-00 AGRE-00

CEA-01 COME-00 FRB-03 H-01 INR-07 INT-05 L-03

LAB-04 NSC-05 PA-01 EPG-02 AID-05 SS-15 STR-04

ITC-01 TRSE-00 PRS-01 SP-02 OMB-01 XMB-02 OIC-02

/097 W

-----251043Z 036093 /15

O 250930Z MAY 77 ZFF-4

FM AMEMBASSY ISLAMABAD

TO SECSTATE WASHDC NIACT IMMEDIATE 1845

US MISSION GENEVA NIACT IMMEDIATE 962

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E.O. 11652: N/A

TAGS: EFIN, GATT, PK

SUBJECT: CONSULTATION WITH PAKISTAN

REF: STATE 114374

1. FOR POLITICAL REASONS, EMBASSY STRONGLY URGES THAT US REP NOT TAKE THE LEAD TO REQUEST A FULL GATT BALANCE OF PAYMENTS CONSULTATION WITH PAKISTAN AT THIS TIME.

2. EMBASSY MAKES THIS REQUEST BECAUSE WE ARE DEEPLY CONCERNED THAT ANY INITIATIVE BY THE US REP WOULD BE COMPLETELY MISCONSTRUED BY ISLAMABAD AT THIS TIME OF WORSENERD US-PAK RELATIONS. PRIME MINISTER BHUTTO ON APRIL 28 ACCUSED THE US OF SUPPORTING THE OPPOSITION AND CONSPIRING TO REMOVE HIM FROM POWER. SUBSEQUENTLY, THE STATE-OWNED PRESS HAD CITED MANY EXTRANEIOUS AND FALSE REASONS AS EVIDENCE OF US MACHINATIONS AGAINST THE BHUTTO GOVERNMENT INCLUDING ECONOMIC PRESSURE ON PAKISTAN EXERTED THROUGH THE IBRD. WE ARE VERY CON-

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PAGE 02 ISLAMA 05367 251036Z

CERNED THAT ANY INITIATIVE BY THE US AT THIS TIME TO REVIEW PAKISTAN'S SHAKY BALANCE OF PAYMENTS WILL BE VIEWED BY THE GOP AS A DELIBERATE EFFORT BY THE US TO CRITICIZE PAKISTAN AND ITS ECONOMIC MANAGEMENT IN AN INTERNATIONAL FORUM. WE, THEREFORE, BELIEVE THAT ANY INITIATIVE FOR A FULL SCALE REVIEW SHOULD BE MADE BY SOME OTHER GATT MEMBER AND THAT OUR ROLE AT ANY MEETING

SHOULD BE ESSENTIALLY LOW PROFILE.

3. WE ALSO URGE THAT CAREFUL ATTENTION BE GIVEN TO THE REMARKS MADE BY THE US REP BOTH AT THE MINI-CONSULTATION AND AT THE POSSIBLE FULL CONSULTATION, TO AVOID THE IMPRESSION THAT THE CONSULTATION IS ANOTHER FORUM FOR BERATING THE GOP. IN GOING OVER THE PAKISTAN IMPORT REGULATION REGIME, FOR EXAMPLE, WE BELIEVE IT IMPORTANT TO NOTE THAT THE MAJOR CHANGES, SINCE THE LAST FULL CONSULTATION IN 1969-THE 1972 DEVALUATION AND THE ABOLITION OF THE BONUS VOUCHER SYSTEM-HAVE BEEN IN THE DIRECTION OF GREATER LIBERALIZATION AND SIMPLICATION. THE GOP HAS BEEN WORKING WITH THE IMF ON A COMPREHENSIVE STUDY OF IMPORT RESTRICTION WITH A VIEW TOWARD CONTINUING THE PROCESS OF LIBERALIZATION. IN TAKING NOTE OF THIS, WE MIGHT WELL MENTION THAT THE SERIOUS CURRENT ACCOUNT DEFICIT AND DEBT BURDEN WHICH PAKISTAN NOW FACES AND WHICH RESULT IN LARGE MEASURE FROM INTERNATIONAL PRICE MOVEMENTS BEYOND PAKISTAN'S CONTROL- WILL MAKE IT DIFFICULT TO SPEED UP THE LIBERALIZING TREND WITHOUT UNACCEPTABLE BALANCE OF PAYMENTS COSTS. CONSTABLE

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: DIPLOMATIC DISCUSSIONS, BALANCE OF PAYMENTS
Control Number: n/a
Copy: SINGLE
Sent Date: 25-May-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977ISLAMA05367
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770186-0707
Format: TEL
From: ISLAMABAD
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770520/aaaaarhi.tel
Line Count: 84
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 9031d18a-c288-dd11-92da-001cc4696bcc
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 77 STATE 114374
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 09-Mar-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2381014
Secure: OPEN
Status: NATIVE
Subject: CONSULTATION WITH PAKISTAN
TAGS: EFIN, ETRD, PK, US, GATT
To: STATE GENEVA
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/9031d18a-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009